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STATEMENT OF THE PROBLEM
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HYPOTHESIS (ES)
RESEARCH METHODOLOGY
RESULTS & DISCUSSION
FINDINGS
RECOMMENDATIONS/SUGGESTIONS
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A COMPARATIVE STUDY OF FINANCIAL PERFORMANCE OF PNB AND HDFC BANK

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ABSTRACT
A better performance in terms of Efficiency and profitability of banking sector is must for a flourishing economy to ensure the growth and development by facing intense competition, meeting greater customer demands and changing banking reforms. The fast moving competitive environment unleashed by Government policy of liberalization and globalization has brought about significant changes in the working of Indian banking industry. Recently the Indian economy has witnessed the emergence of many banks in the private sector. There are several reasons behind the increasing number of commercialization of banks. The growth of such banks is not possible unless they witness some success in the context of customer satisfaction or may it be the net assets held by these banks, efficiency of their management or the networks of each bank both in private as well as the public sector bank. The main objective of this paper is to make an evaluation of the financial performance of Punjab National Bank and HDFC Bank. The financial performance of a bank is measured by a number of key indicators with reference to Deposits, Advances, Total Income, Investment and Net Profit etc. Recommendations and suggestions have been given for improving the performance of both the Banks in India.

KEYWORDS
efficiency, indicators, profitability, performance parameters, PNB and HDFC bank.

INTRODUCTION
Public Sector Banks (PSBs) are banks where a majority stake (i.e. more than 50%) is held by a government. The shares of these banks are listed on stock exchanges. There are a total of 27 PSBs in India [21 nationalized banks + 6 State bank group (SBI + 5 associates)].
The **private-sector banks in India** represent part of the Indian banking sector that is made up of both private and public sector banks. The "private sector banks" are banks where greater parts of state or equity are held by the private shareholders and not by government.
Banking in India has been dominated by public sector banks since the 1969 when all major banks were nationalized by the Indian government. However, since liberalization in government banking policy in the 1990s, old and new private sector banks have re-emerged. They have grown faster & bigger over the two decades since liberalization using the latest technology, providing contemporary innovations and monetary tools and techniques.
Punjab National Bank is an Indian multinational banking and financial services company. It is a state-owned corporation based in New Delhi, India. Founded in 1894, the bank has over 6,968 branches and over 9,656 ATMs across 764 cities. It serves over 80 million customers.
Punjab National Bank is one of the *Big Four banks* of India, along with Bank of Baroda, ICICI Bank and State Bank of India.
HDFC Bank is an Indian banking and financial services company headquartered in Mumbai, Maharashtra. It has about 76,286 employees including 12,680 women and has a presence in Bahrain, Hong Kong and Dubai. HDFC Bank is the second largest private bank in India as measured by assets. It is the largest bank in India by market capitalization as of February 2016. It was ranked 58th among India's most trusted brands according to Brand Trust Report, 2015.
As of June 30, 2016, the Bank's distribution network was at 4,541 branches and 12,013 ATMs.

REVIEW OF LITERATURE
Uppal R. K. (2006) studies the impact of computerization on the performance of public and private sector banks. The study is based on primary and secondary data. The study concludes that the performance of fully computerized banks (HDFC, PNB, IDBI, ICICI and OBC) is much better than the partially computerized banks. In inter-bank group comparison, all bank groups show significant difference in profitability and productivity. Primary survey concludes that majority of the customers are satisfied with computerization of banking services where urban sector respondents show keen interest in computerization of banking business.
Tiwari B. and Herstatt (2006) examine the installation of mobile banking and mobile financial services provided in Germany and other countries. 50 banks worldwide have been selected, half of them from Germany during May/June, 2005. From Indian banks, Bank of Punjab, HDFC, ICIC are dominating, providing mobile-financial services to their customers. The study explains different ways/methods to provide mobile-services that contain technical part with some case studies. The study concludes that mobile banking applications are gaining popularity amongst banks and suggests mobile banking to take the route of online banking.
Garg and Jham (2006) investigate factors that influence Indian customers to adopt ATMs by using factor analysis and focused on the influence of demographic and psychological variables of 296 customers of six selected banks such as SBI, PNB, ICICI, HDFC, ABN and IDBI. It is examined that most of the respondents are below the age of 35 years and the users with lesser experience face more problems in comparison to other and they look for reliability 42 of information. There are problems of dim vision of screen and they use ATMs maximum for withdrawals and rarely for deposits.
Jha and Sarangi (2011) analyzed the performance of seven public sector and private sector banks for the year 2009-10. They used three sets of ratios, operating performance ratios, financial ratios, and efficiency ratios. In all eleven ratios were used. They found that Axis Bank took the first position, followed ICICI Bank, BOI, PNB, SBI, IDBI, and HDFC, in that order.
Thakarshibhai, L.C. (2011), "The Profitability Analysis of Banks in India", Paripex Indian Journal of Research, done study on the profitability analysis of few public and private sector banks and found that three key factors which are mean, standard deviation and anova model affect the profitability analysis of Indian banking sector. He found that in public sector banks return on capital employed found poor in contrast to private sector banks and suggested that it is essential for the public sector banks to apply their capital employed very efficiently to yield enough return. So, as they can contest with private sector banks.
K.V.N. Prasad and Dr. A.A. Chari (2011) conducted a study to evaluate financial performance of public and private sector banks in India. In this study they compared financial performance of top four banks in India viz., SBI, PNB, ICICI and HDFC, concluded that on overall basis HDFC rated to most position.
Dr. R. Gupta, Dr. N. S. Sikarwar, (2013) studied the growth rate of Punjab National Bank of India and HDFC Bank Limited as both the banks are giant banks in public and private sector, hence a study on growth analysis of both the bank for a period of 10 years, from 2000 to 2010 is done. The main growth parameters in banks are Net profit growth, Net assets growth, Earning Per Share growth and the results reveal that HDFC Bank has performed must better than PNB Bank.

OBJECTIVES OF THE STUDY

1. To review the financial performance of the PNB and HDFC bank in terms of deposits, advances, net profit etc.
2. To make a comparative study on the performance of the PNB and HDFC bank.

METHODS OF DATA COLLECTION

- **PRIMARY DATA:** Are those which are collected a fresh and for the first time and thus happen to be original in character and known as Primary data.
- **SECONDARY DATA:** Are those which have been collected by someone else and which have already been passed through the statistical process are known as Secondary data.

RESEARCH METHODOLOGY

The secondary data is collected from various journals, reports and annual reports have been collected from various websites of respective banks.

PERIOD OF THE STUDY

The post-reform period of five years has been taken for measuring the financial performance of PNB and HDFC bank. The years selected for analysis are from 2011-12 to 2015-16.

ANALYSIS AND DISCUSSION

Various parameters are used in identifying the strengths/weaknesses of banks and suggesting improvement measures in its future working. In the present study, following data/ parameters are used for the analysis of Financial Performance.

1. Net profit 2. Total Income 3. Investment 4. Advances 5. Deposits

NET PROFIT

Net profit, often referred to as net income, is the amount of money a company has left after all expenses, including taxes, have been subtracted from total revenue. Net profit is reported on a company's income statement and is one of the key indicators of the success or failure of a company's business operation during a given time period. The actual formula for calculating net profit is:

Net Profit = Total Revenue - Total Expenses

The balance of operating profit after the provisions and contingencies is known as net profit.

Net Profit mainly depends upon productivity of the bank and growth of profit per employee. The net profit patterns of banks under study are given in Table-1.

TABLE 1: NET PROFIT OF BANKS (in Rs. Crores)

BANKS	2011-12	2012-13	2013-14	2014-15	2015-2016	GROWTH RATE	AVERAGE
PNB	4884	4748	3343	3062	-3974	-181.3	2412.6
HDFC	5167	6726	8478	10216	12296	**137.9**	**8576.6**

Source: Compiled from the Annual Reports of the Banks

Table-1 Depicts that HDFC Bank has the better growth rate (137.9%) than PNB growth rate (-181.3%) and HDFC is good in Average (8576.6) than the Average of PNB (2412.6) during the study period. All this certify that HDFC Bank stands better than PNB in view of stability and profitability

TOTAL INCOME

The total income indicates the rupee value of the income earned during a period. It consists of: Interest on advances, discount on bills and Income on investments, etc. Noninterest income of banks arises from sources other than money lent. It comprises of Commission, exchange, brokerage, Profit on sale of investment, Profit on sale of land, buildings and other assets and Profits on Foreign exchange transaction. The higher value of total income represents the efficiency and good performance. The Total Income pattern of Banks under study is given in Table-2.

TABLE 2: TOTAL INCOME OF BANKS (in Rs. Crores)

BANKS	2011-12	2012-13	2013-14	2014-15	2015-2016	GROWTH RATE	AVERAGE
PNB	40630.63	46109.25	47799.96	52206.09	54301.37	33.65%	48209.46
HDFC	32530.04	41917.49	49055.18	57466.25	70973.17	**118.18%**	**50388.43**

Source: Compiled from the Annual Reports of the Banks

Table-2 Depicts that HDFC Bank has the better growth rate (118.18%) than PNB growth rate (33.65%) and HDFC is good in Average (50388.43) than the Average of PNB (48209.46) during the study period. All this certify that HDFC Bank stands better than PNB in view of efficiency and good performance.

INVESTMENTS

A **investment** is an asset that you put money into with the hope that it will grow or appreciate into a larger sum of money. The idea is that you can later sell it at a higher price or earn money on it while you own it.

Investment as a window of deployment of funds was given more emphasis than lending. Investment can be defined as sacrifice of present consumption with expectation of return in future. Investment takes place at present but return can be expected in future but return is uncertain too.

"Investment is made in assets. Assets in all are of two types- real assets (land, building etc.) and financial assets (stock, bond, etc.). Highly developed financial institutions greatly facilitate real investment.

"Investment is nothing but deploying our saving in manner that ensures safety of our money & provides a sustained return to supplement our regular income" (Delhi Stock exchange 2002). The total Investment pattern of Banks under study is given in Table-3.

TABLE 3: TOTAL INVESTMENT OF BANKS (in Rs. Crores)

BANKS	2011-12	2012-13	2013-14	2014-15	2015-2016	GROWTH RATE	AVERAGE
PNB	122629	129896	143786	149877	157846	28.72%	**140806.8**
HDFC	84728.34	97342.80	105831.88	151641.77	163885.78	**93.42%**	120686.11

Source: Compiled from the Annual Reports of the Banks

Table-3 Depicts that HDFC Bank has the better growth rate (93.42%) than PNB growth rate (28.72%) and PNB is good in Average (140806.8) than the Average of HDFC (120686.11) during the study period. All this certify that HDFC Bank stands better than in view of stability and profitability

ADVANCES

Advance is a 'credit facility' granted by the bank. Banks grant advances largely for short-term purposes, such as purchase of goods traded in and meeting other short-term trading liabilities. In other words, it is the amount borrowed by a person from the Bank. It is also known as „Credit‟ granted where the money is disbursed and recovery of which is made later on. Bank credit means the loan (advances) made by the banks to the customers. Credit deployment is the major force through which banks helps in the transformation of saving into capital. This is considered to be the single most important causal factor in the process of economic development with the expansion of bank deposits. There has been continued expansion of bank credit reflecting the rapid expansion of agricultural and industrial output. The Advances pattern of Banks under study is given in Table-4.

TABLE 4: ADVANCES OF BANKS (in Rs. Crores)

BANKS	2011-12	2012-13	2013-14	2014-15	2015-2016	GROWTH RATE	AVERAGE
PNB	293775	308796	349269	380534	412326	40.35%	**348940**
HDFC	195420	239721	303000	365495	464594	**137.74%**	313646

Source: Compiled from the Annual Reports of the Banks

Table 5 Depicts that HDFC Bank has the higher growth rate (137.74%) than PNB growth rate (40.35%). On the other hand, PNB has the higher average total credits of Rs. 348940 crores than the average of HDFC Rs. 313646 crores. Therefore, it indicates that the bank with good growth rate of total credits during the study period does not always mean having high average of total credits.

DEPOSITS

Deposit is the amount accepted by bank from the savers in the form of current deposits, savings deposits and fixed deposits and interest is paid to them. In general terms money deposits in banks are known as bank deposits. Deposits mobilization gets added attention in a developing country like India where resources mobilization acts as a prime mover of the development process. Expansion of Public Sector Banks deposits has been an important feature in recent years. Planned economic development, deficit financing and increase in currency issue have led to increase in Public Sector Banks deposits. At the same time Public Sector Banks have contributed greatly to the development of banking habit among the people. The deposit pattern of Banks under study is given in Table-5.

TABLE 5: DEPOSITS OF BANKS (in Rs. Crores)

BANKS	2011-12	2012-13	2013-14	2014-15	2015-2016	GROWTH RATE	AVERAGE
PNB	379588	391560	451397	501379	553051	45.70%	**455395**
HDFC	246706	296247	367337	450795	546424	**121.49%**	381502

Source: Compiled from the Annual Reports of the Banks

From the Table 5, HDFC Bank has the higher growth rate (121.49%) than PNB growth rate (45.70%). On the other hand, PNB has the higher average deposits of 455395 than the average deposits of HDFC 381502. Therefore, it indicates that the bank with good growth rate of total deposits during the study period does not always mean having high average of total deposits.

ANALYSIS AND FINDINGS

On the basis of study of financial performance, based on the parameters like Net profit, Total income, Investment, Total assets, Advances, Deposits, it can be concluded very safely that the study of last five years i.e. from 2012 to 2016 HDFC Bank has performed much better than Punjab National Bank and we conclude that the HDFC bank have much better growth prospects as compared to PNB bank.

SUGGESTIONS TO IMPROVE THE PERFORMANCE OF PNB BANK

The forgoing analysis reveals that though there is a phenomenal development in the performance, still PNB bank lagging behind in some major thrust areas. Some recommendations to improve the performance of PNB bank are given below:

TECHNOLOGY: Technology has been a boon to many industries and especially to the banking industry. With the help of technology banks are able to reach out to more customers and provide better services to them. Also, it helps them function in an organized and in a secure way. PNB Bank is lagging behind in technology when we compare it with HDFC bank.

COMPETITION: Competition in the banking system is desirable for efficiency and maximization of social welfare. Due to LPG, the banks are facing a severe competition. To stay ahead in the race, therefore, banks will have to leverage technology development as well as developing sophisticated financial products. PNB bank in particular will have to develop new tech-savvy products to beat the competition.

NON-PERFORMING ASSETS: The PNB bank should prepare a loan recovery policy for reducing NPA. The advances provided by bank should be given after pre-sanctioning evaluation and post-disbursement control for reducing NPA. For effective handling of NPA, the bank should create special recovery cells as head office/regional office/zonal office identify critical branches for recovery. NPA may be reduced by proper selection of borrowers & clients required to get timely payment.

HUMAN RESOURCE MANAGEMENT: Human resources development is a crucial factor which can play a vital role in increasing business per employee and profit per employee. The management should execute appraisal system based on merits and performance of employees. The training system of PNB bank should be geared to design innovative and highly specialized programs as a measure to improve and provide skills, knowledge and expertise in functional areas.

CHECK ON OPERATING COST: Operating expenses are the expenses incurred in conducting the bank's ongoing operations. High operating cost is a major hurdle impacting the profitability of public sector banks. The financial position of PNB bank can be enhanced by keeping a control on operating cost through higher labour productivity, updated technology, low cost funds and restructuring of un-remunerating branches.

PNB bank must refer the suggestions provided above in the study in order to improve the efficiency.

CONCLUSION

A better performance in terms of Efficiency and profitability of banking sector is must for a flourishing economy to ensure the growth and development by facing intense competition, meeting greater customer demands and changing banking reforms. The fast moving competitive environment unleashed by Government policy of liberalization and globalization has brought about significant changes in the working of Indian banking industry. Recently the Indian economy has witnessed the emergence of many banks in the private sector. There are several reasons behind the increasing number of commercialization of banks. The growth of such banks is not possible unless they witness some success in the context of customer satisfaction or may it be the net assets held by these banks, efficiency of their management or the networks of each bank both in private as well as the public sector bank. The main objective of this paper is to make an evaluation of the financial performance of Punjab National Bank and HDFC Bank. The financial performance of a bank is measured by a number of key indicators with reference to Deposits, Advances, Total Income, Investment and Net Profit etc. Recommendations and suggestions have been given for improving the performance of both the Banks in India.

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